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PIERCE PROPOSED AMENDMENT NO. 2

AE/DATE PREPARED: June 9, 2014 at 2:30

COMPANY: Payson Water Company

AGENDA ITEM NO. 17

DOCKET NO(S). W-03514A-13-0111/W-03514A-13-0142 OPEN MEETING DATE: 6/10/14

The purpose of this amendment is to adopt Staff option 2 of the alternative rate designs that were submitted in response to Commissioner Pierce's letter of May 1, 2014. (See attached chart comparing percentage rate increases for each system for each of the alternatives submitted.) Because this amendment seeks to mitigate the severity of the rate increase to Gisela and Deer Creek while having little impact to the other systems, this amendment also removes the phase-in of the Gisela rates.

On page 53, line 17, **DELETE** "and rate design".

ORIGINAL

On page 59, **DELETE** lines 15-24, and **INSERT** the following:

After reviewing the options presented by PWC and Staff, we find that Staff option 2 presents the best alternative. We believe that the benefits of system-wide consolidation are—and will continue to be—significant, not only for the Company but also for its customers. We are concerned, however, with the impacts that consolidation may place upon the Gisela and Deer Creek systems. Staff option 2 mitigates the impacts to those systems; at the same time, it does not appear to result in excessive, additional impacts to the remaining systems.

On page 60, **DELETE** lines 1-2.On page 69, **DELETE** lines 24-27One page 71, **DELETE** lines 11-16On Attachment A, **MAKE ALL CONFORMING CHANGES.**

Arizona Corporation Commission

DOCKETED

JUN 9 2014

DOCKETED BY

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2014 JUN -9 P 3:11

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**** Please make all conforming changes**

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

Payson Water Company Attachment to Payson Pierce Proposed Amendment #2

Alternative Rates - Average % Rate Increase Compared to ROO

Average Consumption: 5/8 x 3/4 Meter:	Staff	Staff Alternatives			Company Alternatives				
	Proposed	1	2	3	4	1	2	3	4
Deer Creek	83.6%	91.0%	63.2%	73.3%	78.0%	87.3%	73.7%	80.8%	73.4%
East Verde Park	57.0%	67.4%	57.6%	61.7%	65.8%	63.0%	64.3%	60.8%	77.2%
Flowing Springs	64.6%	73.6%	61.4%	65.0%	67.7%	69.6%	70.1%	65.3%	76.6%
Geronimo Estates	53.4%	64.0%	53.4%	60.1%	66.7%	59.7%	59.0%	59.6%	77.9%
Mesa Del Caballo	60.5%	69.8%	60.6%	62.9%	65.2%	65.7%	68.9%	61.8%	76.7%
Meade Ranch	49.7%	61.7%	50.5%	58.9%	67.3%	58.6%	53.8%	58.5%	78.5%
Whispering Pines	59.1%	69.1%	59.7%	62.6%	65.4%	64.9%	67.6%	61.5%	76.9%
Gisela/Tonto Creek Shores	138.1%	104.0%	111.4%	109.9%	118.9%	116.8%	131.3%	131.9%	101.1%

Inflation Rate from 2000 - 2014 = 37.2%

Staff Alternatives:

- 1 - Gisela remains separate, raise minimum from \$23 to \$25 for non Gisela systems, and to \$26 for Gisela, lower commodity charges for all tiers in Gisela.
- 2 - Adopt Rate Consolidation and Change Breakover Points (Raise First Tier from 3000 to 5000) (Per PWC, this increases revenue instability, and increases the revenue by \$27K)
- 3 - Consolidated Rates with Monthly Minimums increased from \$23 to \$25, and reducing the amount collected thru the commodity charge for the first 2 tiers, raise the tier 3 charges. (Per PWC, this increases revenue instability and raises the revenue by \$26K)
- 4 - Raise Monthly Customer Charge to \$27 and Decrease Commodity Charge. (Per PWC, this increases the revenue by \$23K)

Company Alternatives:

- 1 - Separate Rates for Gisela
- 2 - Consolidated Rates, change First Tier Breakover from 3000 to 5000
- 3 - Consolidated Rates with Monthly Minimums increased from \$23 to \$25, and reducing the amount collected thru the commodity charge.
- 4 - Consolidated Rates, Raise First Tier from 3000 to 6000 and Second Tier from 10,000 to 12,000, Raise minimum to \$28.75.